

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Federal-State Joint Conference on Accounting	)	WC Docket No. 02-269
Issues	)	

**COMMENTS  
OF THE  
NATIONAL TELECOMMUNICATIONS COOPERATIVE ASSOCIATION**

The National Telecommunications Cooperative Association (NTCA)<sup>1</sup> hereby submits its comments in response to the Commission’s Public Notice, DA 02-3449. NTCA urges the Commission to exercise a cautious approach to changes in regulatory accounting requirements in the rules known as the Uniform System of Accounts (USOA).

USOA continues to be an essential regulatory tool for rate-of-return (ROR) regulated incumbent local exchange carriers (ILECs). Data compiled from records maintained in accordance with USOA are used as the basis for all federal and state proceedings involving tariffs and costs for ROR regulated carriers. Indeed, ROR regulation demands the use of a standard set of accounting rules as an integral part of mechanisms used to determine lawful rates. The level of detail currently embodied in USOA has emerged over time to ensure the capture of specific information needed for

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<sup>1</sup> NTCA is the premier industry association representing rural telecommunications providers. Established in 1954 by eight rural telephone companies, today NTCA represents more than 555 rural rate-of-return regulated incumbent local exchange carriers (ILECs). All of its members are full service local exchange carriers, and many members also provide wireless, cable, Internet, satellite and long distance services to their communities. Each member is a “rural telephone company” as defined in the Communications Act of 1934, as amended (Act). And all of NTCA’s members are dedicated to providing competitive modern telecommunications services and ensuring the economic future of their rural communities.

regulatory decision-making. Such details are relied upon by all interested parties: commissions, consumer advocates and carriers, and when necessary, the courts.

The cost to comply with USOA requirements can be significant. Much of the cost is incurred when requirements change. Changes require modification and reprogramming of the various computer systems used to capture and properly record accounting information. Once systems have been configured and programmed to record information the incremental cost of maintaining specific accounting records is not unduly burdensome. Thus, it is not as big a burden to maintain current levels of detail, as it is to add new levels of detail.

Given the movement of much of the industry toward competition and away from ROR regulation, the Commission should not be adding new USOA requirements absent a compelling regulatory need. In fact, USOA should be evolving away from specialized rules and toward Generally Accepted Accounting Principles (GAAP). While much of the nation is seeing the emergence of a competitive telecommunications environment, the rural areas served by most NTCA members has not seen and is not likely to experience significant amounts of competition. The markets are too small to be profitable to multiple providers and in many instances cannot be served economically by the incumbent local exchange carrier without universal service support. Thus, where there is minimal to no competition, market forces alone will not govern the marketplace. In this environment, it may be necessary to continue ROR regulation indefinitely.

As long as ROR regulation is needed, there will be a need for USOA. Regulation is needed where competitive forces are insufficient to provide an efficient market. Hence, regulation will probably be required for most rural markets. To date nobody has

devised a better regulatory regime than ROR regulation for a monopoly environment. Therefore, the Commission must consider the likelihood that the need for ROR regulation and USOA will continue in rural areas for a long time.

In this context, it does not make sense for the Commission to roll-up accounts to higher levels, when discrete information, currently required by USOA, still has a regulatory purpose. In particular, NTCA believes retention of Accounts 5230, 6561 through 6565 is warranted. However, the mandatory imposition of new accounts for Optical Switching, Software Switching, Loop and Interoffice Transport, Interconnection and Universal Service Revenue is not necessary, as these items can be handled quite easily through accounts or subaccounts today. Creation of these accounts will add complexity and cost to the ROR regime. NTCA agrees with the Commission's changes in the affiliate transaction rules. The new affiliate transaction rules represent a reasonable relaxation of requirements for smaller transactions while retaining strict standards for large transactions.

Regarding the respective roles of state and federal regulatory authorities, NTCA encourages and supports state and federal collaboration. The vetting of proposals in a collaborative manner will provide a more comprehensive public record decreasing the likelihood of promulgating inconsistent rules. If the rules differ on state and federal reporting, it leads to additional burdens on small rural ILECs to meet the requirements of each jurisdiction.

The impact of proposed accounting changes on small carriers will be disproportionate. The relative cost to comply with new rules will fall disproportionately on small carriers. The Commission specifically asked about the impact on LECs with

fewer than 2% of the lines (this equates to carriers with less than about 3.5 million lines). All of the 555 plus members of NTCA combined have less than 3.5 million lines. The potential for disproportional impact on NTCA member companies is great.

We urge the Federal-State Joint Conference to consider ways to introduce flexible approaches to regulation, including accounting, as the environment changes.

Respectfully submitted,

NATIONAL TELECOMMUNICATIONS  
COOPERATIVE ASSOCIATION

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January 31, 2003

## **CERTIFICATE OF SERVICE**

I, Rita H. Bolden, certify that a copy of the foregoing Comments of the National Telecommunications Cooperative Association, WC Docket No. 02-269, DA 02-3449, was served on this 31<sup>st</sup> day of January 2003 by first-class, U.S. Mail, postage prepaid, to the following persons:

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